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THE PLACE AND ROLE OF QUALITY IN THE SYSTEM OF CONSOLIDATED REPORTING: MANDATORY REPORTING OR VOLUNTARY INITIATIVE

Abstract: *Companies provide information on the quality of products at their discretion, but rarely in consolidated reports of companies, and more often – in marketing and analytical reports. The problem is that in this case, the information on quality is incomplete (companies do not focus on the advantages of their products and do not speak the products' drawbacks), fragmentary (the data on the quality of various products cannot be compared), and periodical (not available for all periods). This does not allow evaluating the change of quality and dynamics of the ratio between the quality of various products. The purpose of this paper is to study the place and role of quality in the system of consolidated reporting of companies. The authors determine the essence and advantages of compiling consolidated reporting according to the international requirements and norms. A comparative analysis of the system of consolidated reporting and standards financial reports of companies is performed, with the designation is their pros and cons. During the comparison of these systems of reporting, the authors consider two aspects of their formation: as a condition of mandatory reporting or manifestation of a voluntary initiative of companies' managers. The authors substantiate the advantages of the international approach to the compilation of consolidated reporting directly for companies and interested users of this information. A conclusion on the importance of quality in the system of consolidated reporting of companies and the necessity of its provision within the international requirements, methodologies, and norms is made.*

Keywords: *Generally Accepted Accounting Principles (GAAP), International Financial Reporting Standards (IFRS), IFAC (Federation of Accountants) requirements, Key Performance Indicators (KPI), European Accounting Association (EAA), Corporate Social Responsibility (CSR), Committee for Economic Development (CED), Quality Indicators, Quality in Corporate Reporting.*

1. Introduction

A company's consolidated report must contain all required information on the organization. Investors and other interested parties require information and analysis of the company's activities, risks, opportunities, and long-term perspectives that are better and

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larger than that contained in the regular financial reports. To accept responsibility, companies have to clearly and fully demonstrate their organization's ability to create sustainable value in the long term.

According to the International Federation of Accountants, inclusion in the companies reports on financial activities of the indicators that are connected to financial results, creation of cost, sustainability, and ecological, social, and other “Key indicators of effectiveness” (i.e., indicators that are not connected to GAAP or IFRS) will increase trust to these companies, including in the international market.

In the past, an annual audit of financial reports was conducted according to the normative requirements of the professional participants of stick exchange, stockholders, foreign investors, or domestic creditors. Other economic subjects did not show interest in inspections connected to the usual practice when the main focus of provision of tax and financial reports in tax bodies moved to avoidance of a large number of sanctions for various violations.

That’s why here the authors shall focus on the system of consolidated reporting as the basic elements of the approach to managing the quality of information provision.

The purpose of this paper is to determine and substantiate the necessity for mandatory reporting or voluntary initiative of organizations’ managers, for ensuring quality in the system of their companies’ consolidated reporting.

This purpose is achieved with the help of the following tasks:

- determining the essence and advantages of mandatory consolidated reporting compared to a voluntary initiative in quality management of the provided reporting;
- conducting a comparative analysis of mandatory reporting and voluntary initiative in managing the quality of consolidated reporting in view of various forms of the organization of the activities of companies and, based on this, determining the cases in which mandatory reporting is preferable, and determining the expedience of transitioning to it.

2. Literature review

The main principles of consolidated reporting, which determine the state of the practical accounting and controlling activities of companies, as well as the perspectives of improving the methodology of quality control and accounting in consolidated reporting in the context of evolutionary development of economic life and society are described in the following works: J. Akerlof, H. Anderson, M. Attinger, H. Bor, R.D. Barro, J. Betge, D. Bell, E. Betty, R. Boyer, O. Walter, V. Vanberg, T. Veblen, H.-G. Gadamer, A. Guilbeaux, R. Griffin, J.M. Keynes, D. Caldwell, J. Commons, R. Coase, R. Koch, E. Leote, D. Locke, J.S. Mill, R. Nelson, B. Needles, D. North, W. Oiken, M. Pastey, I. Prigogine, A. Smith, M. Spence, I. Stengers, J. Stiglitz, S.G. Winter, A. Fayol, E. Vogel, M. Friedman, G. Haken, M. Hammer, J. Hodgson, J. Champy, F. Schleiermacher, J. Schumpeter, L.R. Emerson. This topic is also elaborated in the works Ageev et al., (2016), Bassen et al. (2005), Fateeva and Lesina (2015), Osipov et al. (2021), Osipova (2018), Stanovcic et al. (2016), and Vinogorov (2017).

Besides, the framework and practical experience of managing the quality of consolidated reporting at modern enterprises within mandatory reporting, which is based on accounting and audit, are discussed in the Report of the Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting on its 37th session, which took place on November 2-6, 2020 in Geneva (United Nations, 2021d). Thus, according to the UNCTAD General Secretary, stimulating high-quality reporting on the financial and non-financial results of companies' activities has become very important. He noted that, according to the program of the 37th session, the discussion group of the high level would consider the consequences of these problems for financial accounting and reporting.

General Secretary also noted that the importance of high-quality reporting in stimulating the achievement of the Sustainable Development Goals consisted in stimulating the provision of resources for sustainable economic activities (United Nations, 2021b; 2021c). The trajectory of investments in sustainable funds is expected to be higher than the current level. Reliable indicators of effectiveness – such as the main indicators developed by UNCTAD (2020) – are very important for stimulating the effective distribution of resources for sustainable projects, especially in developing countries.

These are vivid proofs that Guidelines for Key Indicators for Enterprise Reporting on Contribution to the Sustainable Development Goals, which was published in 2019 by the inter-governmental group of experts, influenced the realization of the role of the private sector in contributing to the achievement of the Sustainable Development Goals (United Nations, 2021a). This initiative accelerated the transitioning to coordination and compatibility of reporting on the issues of sustainability and its connection to the system of monitoring of achieving the Goals.

Feoktistova et al. (2019) note that the list of the principles of the accounting and analytical system for organization management is an open system, since it is constantly supplemented due to the development of the theory and practice management and, as a result, its accounting and analytical component. One can hardly agree that the list of principles could be defined as a "working system". It is not clear what the authors call a "system" – a list of principles of the whole accounting and analytical system.

According to Ivankova et al. (2013), the contents of the principles of management in the accounting and analytical system are as follows:

1) principle of scientific character. Formation of the accounting and analytical information according to the latest achievements of science and world practice for the provision of management and economic decision-making.
2) principle of continuity. Having started the work, an organization does not intend to stop it – on business on the whole and on separate structures and functional departments.
3) Principle of rationality. Costs of provision of the functioning of the accounting and analytical system should be minimal and be provided by the economic effects from its implementation in management.
4) Principle of the complex and systemic character. The accounting and analytical system should cover all factors and processes of the economic subject's activities, in view of their mutual dependence and interdependence.
5) Principle of flexibility. Elements of the system, similarly to the whole system, should be able to change depending on the objective changes of economic conditions.
6) Principle of purposefulness. Reality and achievability of the target direction of the management model and formation of estimate indicators in the course of its implementation.
7) Principle of participation. The accounting and analytical information is formed through coordinated activities of all participants of the organization management.
8) Principle of correspondence. Functional duties of the participants of the formation of the accounting and analytical information for management should conform to the

technical and individual capabilities of the performer.

The performed literature review allows for a conclusion that the accounting and controlling activities is one of the most regulated spheres in consolidated reporting since policy-making develops actively at the state level and the level of the professional community, as well as within separate economic subjects of the country. In modern conditions, this type of activities is structured in new inter-state associations, i.e., EAA – the European Accounting Association. However, scientific communities of accountants and controllers eventually tuned into institutional structures of the direct regulation of the accounting and controlling processes – i.e., bureaucrats. This processes accelerated due to the monopolization of markets, which started in the 1960s, and the creation of transnational corporations (hereinafter - TNC), primarily in the USA, which are interested in attracting investors from other countries and which hinder economic dynamics by transferring the national accounting systems under the authority of international systems (El Manzani et al., 2019). This was also necessary for acquainting with the reports on the potential of companies for prospective investors. When there was such potential, TNCs conducted the stimulating policy, and in case of its absence, the policy of restraining was used (quotas, credit rates, tax tools, etc.). Owners of the TNCs used this method to keep national companies in other countries within their financial interests. As a result, transnational giants imposed the requirements and the necessity to use the IFRS and GAAP.

In 1953, the notion of "corporate social responsibility" was formulated for the first time in the publication of a well-known American economist G. Bowen "Social Responsibilities of the Businessman" (Bowen, 1953).

The predecessor of the idea of corporate social responsibility on a voluntary basis from the positions of Catholic social teaching was the German cardinal Joseph Höffner. After World War II, he became one of the most influential consultants of the Federal government and entrepreneurial unions of Germany on the issues of social policy within implementing the concept of social market economy, as well as the founder of the Christian teaching on society (Christliche Gesellschaftslehre), scientific consultant and spiritual advisor of the Union of Catholic Entrepreneurs (Bund Katholischer Unternehmer), which was created in 1949.

Höffner (1988) developed his ideas during the 1940s – 1980s, but the essence of his studies in the sphere of social responsibility and professional & ethical norms of companies is given in the report "Leitgedanken zu einem Unternehmensspiegel" ("The main ideas on the moral code of a company").

The ideas of voluntary corporate social responsibility, which go beyond the norms of regulatory acts and provisions of contracts, including the ethics code of companies, were later formulated and developed more clearly by economists of the USA and Germany, international organizations, and government bodies, entrepreneurial unions, and companies of Germany.

In the USA, the notion of CSR led to the emergence of four almost similar concepts.

The first one is called "corporate social responsibility". It was developed in 1960-1978; it focuses on companies' obligation to accept responsibility before society, apart from its main goal – profit-making.

The second concept – "corporate social reaction" – was developed since 1975. It is directly derived from the first concept, and its main provision is that companies have to actively form relations between society and business.

The third system of views of these problems appeared in the late 1980's – "high corporate social morality" – it especially distinguishes the role of ethics in entrepreneurs' decision-making.

The fourth concept, which also appeared in the late 1980s, limits the value of isolated companies and emphasizes the role (used in industry and developed by it) natural sciences for public institutions. This concept could be described as "space, science, religion".

The turning point in the development of the CSR concept was the moment when the Committee for Economic Development (CED), which had previously played an important role in the development and implementation of the Marshall plan and was the initiator of the agreement in Bretton-Woods, presented in 1971 its understanding of corporate social responsibility.

The Committee for Economic Development developed the following three-level model of CSR:

- internal contour: company is primarily responsible for profit-making and development of the corporation;
- middle contour: when seeking its economic interests, a company has to be careful with changing the social agreement, which exists between the company and society;
- external contour: responsibility and activities of the corporation should be aimed at the active improvement of the social environment, e.g., the aspects of poverty or urban overpopulation.

In 1999, the United Nations Global Compact was officially offered by the UN General Secretary. The participating companies have to provide a letter to the UN General Secretary, expressing their desire to strive for the observation of certain social and ecological standards. These standards and minimal and are based on documents, which are already part of national law. The controlling mechanism is companies' providing annual reports on the observation of the above standards.

In the sphere of ecology, the companies that signed the United Nations Global Compact agree to the following:

- take a position that prevents danger for the environment;
- offer initiatives on stimulating the development of ecological awareness;
- stimulate the development and dissemination of ecologically safe technologies.

At present, almost every respectable large European company strives to prove that it is responsible before society for its actions. CSR has become a specific feature of companies, an important factor of a competitive fight, and even an issue of economic survival due to the increased awareness of consumers. CSR also stimulates the formation of a positive image of the company not only with consumers but also with its employees and potential employees. This stimulates the attraction of skilled employees and motivation of all employees for more efficient labour and the establishment of the existing personnel at the company. Companies' accepting social and ecological responsibility is also considered as one of the ways of implementing the concept of sustainable development at the company's level.

Thus, there's a necessity for a more detailed study of the issues of necessity for observation and presence of quality in consolidated reporting within mandatory reporting or based on the voluntary initiative of economic subjects. This is done in this research.

3. Methodology

At present, communication between company owners and managers is brought down mainly to discussing past financial results. The volume of work on the creation of shareholder value cannot be evaluated objectively based only on annual reports, so investors cannot determine whether the company has real chances to increase the shareholder value in the long term. The objective information is very limited. Retrospective financial reporting shows whether the profit grows, but it does not necessarily disclose the information on improvements, e.g., on the customer base or quality of manufactured products. In other words, financial reports can explain how much money the company earns, but not necessarily how it earned the money. What is more important, whether this year's profit is the basis for the long-term creation of cost.

Taking into account the described situation, there emerges the following question: could the retrospective character of the present annual report be the basis for the short-term decision-making; and does it create preconditions for long-term plans?

In most countries/regions of the world, presentations on reports for investors are used as a tool for demonstrating the vision of the top management regarding the company's activities. Such reports could be used without references to any specific dates since they are not part of the annual cycle of reporting; however, it should be noted that such presentations usually focus on short-term profits, not long-term perspectives. Companies that plan to work for a long time and are successful, want to have a high-quality dialogue with potential investors, not just a narrow discussion of the financial results of the past period.

The information descriptive reports, which present quantitative and qualitative data, will increase the confidence of investors in the precision and fullness of information, which was presented to them earlier.

The relevance of consolidated reporting should be raised. The consequences of the world financial crisis led to the development of initiatives on reconsideration and improvement of the existing sphere of consolidated reporting. Quality in the provided financial information has a large role in investors' decision-making, but this issue should be discussed more thoroughly. Therefore, it is necessary to seek the answer to the following question: do the content and direction of the present reports conform to the information needs of the market's participants?

A regular citizen or expert on investments thinks that an annual report is required for one to have correct indicators of profit, for evaluating the cost of business and the algorithm of business management. Accountants, in their turn, think that the main function of an annual report is to help stockholders to evaluate the management's ability to manage the company's assets, since the report contains generalized data on deals, etc. However, the public requires business reports for all the above variants. This proves the role of the company's report in the investor's decision to buy/sell or not to buy/sell (in addition to his main role, which allows stockholders to evaluate the effectiveness of the management's efforts on assets management). Efforts in this direction require not just the optimisation of the existing models of preparing financial reports. The information on finances for the previous periods allows evaluating the cost, but there is a need for additional information, to help the investors predict the future, and not to make decisions based only on the current year's revenues.

The effective and efficient placement of capital and credit is important for economic growth and creation of jobs, reduction of poverty, etc. In an economically stable country, capital and credit are distributed largely based on the correct monetary information of a company. For such financial information to be correct and of high quality, it is necessary to conduct thorough independent checks of the information. Thus, mandatory audit stimulates the successful functioning of capital and credit markets and helps small companies to obtain capital or credit from other sources – e.g., banks.

The model of monetary flows, which determines the cost of a company, usually includes three components of expenditures: regular business, additional expenditure, which are connected to the changes in the management plans and expected operational processes, and the idea of the long-term ability of the company to make a profit.

The focus of traditional consolidated reports on retrospective data creates a gap between the reflected information and information that is required for evaluating the company's business cost.

The risk is that this gap creates uncertainty, which should be considered the addition to the risk and included in the cost of the company's capital.

For example, the Association of the Committee on Audit KPMG (2021) conducted a questionnaire survey among the members of the audit committee around the world to determine the three most important factors for the effectiveness of their companies' activities.

When comparing the answers to the survey's results, it is possible to see that only several companies provide criteria for assessing the activities based on the most cited factors on cost creation. Only 21% of companies think that operational effectiveness is the most popular factor in the creation of cost for the members of the audit committee.

The second place belongs to the coefficient of orientation at customer/quality of services (according to 7% of companies) (Table 1).

Table 1. Questionnaire form "The most important factors determining the effectiveness of the company's activities" (received results).

Factors	One of the three main factors in the creation of cost	% of companies that provide data on the corresponding operational key performance indicator
Operational effectiveness	66.0%	21.0%
Orientation / quality of customer service	56.0%	7.0%
Supply chains	42.0%	8.0%
Brands and corporate reputation	42.0%	2.0%

Source: compiled by the authors based on KPMG (2021)

According to the survey, there are several examples of qualitative reports on the activities' results, in particular: reports on the creation of intellectual property rights in the pharmaceutical industry, on the increase of capabilities and effectiveness in the sphere of natural resources, and increase of customer base in the telecommunication sphere. These examples show that better reports are possible, but the task is not just to support the practice of other spheres but also to allow companies in all spheres to work more actively for creating the fullest picture of effectiveness.

In each country, the term "annual report" or "corporate reporting" belongs to different documents. This research is based on the main reporting documents, prepared by any company, which includes (at least) the following:

- descriptive reports (comments on the qualitative and quantitative characteristics of business models, strategies, risks, and opportunities, as well as future indicators/forecasts of business);
- reports on corporate management, including reports on bonuses for CEO;
- full financial reports (in case of provision of short financial reporting, we count on the full financial reporting that is published separately);
- any other information contained in the file of the basic reporting.

Thus, for example, form 10-K is aimed at studying companies from the USA. This report also shows the disclosure of information connected to corporate management and systems of compensation. In Canada and the USA, this information is provided in separate documents, which contain information on the upcoming annual general meeting of shareholders (when these documents are also mentioned).

For convenience purposes, the authors unite in the notion "annual report" all the above information. Also, this research does not consider in isolation the reports on corporate social responsibility, which are usually oriented at a wider circle of interested users of information.

In most countries/regions of surveyed companies, financial reporting is compiled with the use of IFRS. Unfortunately, there is no similar international standard for determining the order of preparing comments of the management, in particular regarding quality. The regulatory agencies in the analysed countries, which are presented in this research, set their requirements to preparing comments for consolidated reporting in view of different (mainly personal) beliefs.

It is known that a greater part of any report is historical financial information (Figure 1). However, the annual report not only has too much financial information – in many cases, the descriptive part of the report is also influenced by a lot of financial data, which usually is a natural result of the development of the company's consolidated reports over many years.

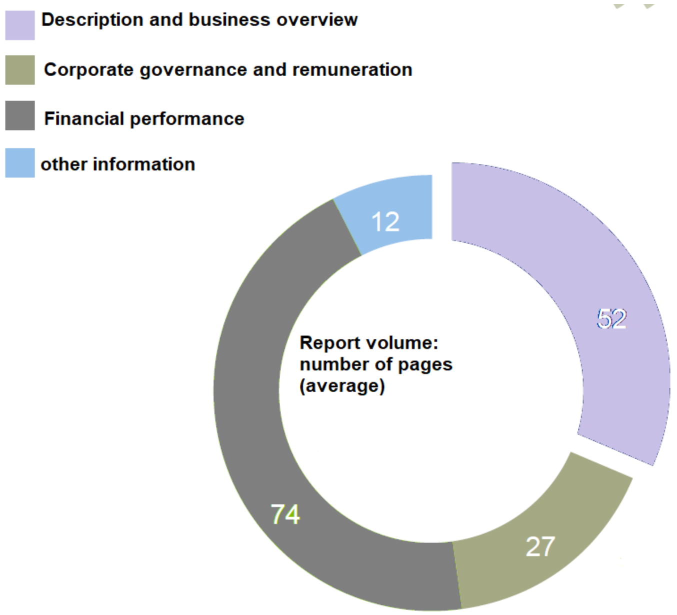

Figure 1. The structure of average statistical consolidated reporting.
Source: compiled by the authors based on KPMG (2021).

Thus, the report's contents do not provide the required information on the cost of business, and information that is presented in the report reflects only results from the position of activities that take place in business as usual. Of course, this information is very important, but it does not give the full idea of the company's activities.

If investors need to predict the long-term activities of the company, the corresponding company has to provide investors with current and correct information, and investors will be able to compile forecasts based on this information.

The main reason why consolidated reporting cannot satisfy the investors' (and other interested parties) needs for information is the very culture of reporting.

Reporting is usually prepared given the method of provision of the correspondence to certain norms, and many companies in the world cannot reject this method (Table 2).

Table 2. Comparative analysis of approaches to the formation of consolidated reporting.

Countries	Interested audience	Goals of the formation of reporting
Australia	Stockholders	Evaluation of the financial results of the activities, financial position, strategy, and perspectives of the company
UK	Shareholders	Explanation of the main tendencies and factors that determine the company’s development, activities, and general position
Denmark	Users	Provision of support for users when making economic decisions
Canada	Investors	Helping the investor to decide on the expedience of placing/continuing investments
Norway	–	For the general review of formation and development of activities, an overview of results and position of the company in the market
USA	Interested parties that provide capital	Determining problems due to which the provided financial information is not indicative for the future results of operational activities / financial position of the company
France	Investors	Formation of a comment for the financial results of the company’s activities
Sweden	–	Description of directions of the activities, overview of economic activities, financial results, and financial position of the company
South Africa	Investors (primarily interested parties)	Providing creditors and investors with information on the formation of the company's cost in dynamics
Japan	Investors	The process of preparation of reporting is voluntary: there are no orders or recommendations regarding this

Source: compiled by the authors based on KPMG (2021).

The experience formation of consolidated reporting in Japan is of special interest for this research. As shown in Table 2, the process of preparation of consolidated reporting in Japan is performed on a voluntary basis, and there are no orders or recommendations regarding it.

Facing the increase of interest in the system of corporate management, the management of companies in certain countries has to disclose a large volume of additional information.

Other changes to the IFRS requirements include also the increase of the volumes of consolidated reporting – though not to such a large extent as expected. The increase of the number of reports connected to the disclosure of additional information, which is required by the IFRS, is often compensated by the exclusion of insignificant (according to the company’s managers) data from corporate accounting.

It is possible to conclude that the best methodology for studying the expedience of reflecting the indicators of quality in consolidated reporting is the applied method of comparing the goals of formation of the reporting in different countries of the world, as well as determining the interested audience. However, we still think that the volumes of consolidated reporting also have an important role in making decisions on the voluntary reflection of the quality indicators or the mandatory audit.

It is necessary to provide the results of the research on determining the place and role of quality in the system of consolidated reporting and to determine the tendencies of its formation (within mandatory audit according to the IFRS or by the voluntary initiative) on the example of leading countries of the world.

4. Results

4.1. Essence and value of quality in the system of consolidated reporting

According to the authors of this paper, the indicators of quality in consolidated reporting are directly connected to its volumes, since the large the volume of a report, the more probably the presence of unnecessary or incorrect information, which leads to the reduction of the expedience of data in the report.

Most of the reports, which have been studied in the course of this research, have 50-200 pages (if the research covered companies of the financial sphere, the value of this indicator would be much higher).

On average, reports of a large company are 57 pages larger than reports of small companies. Larger companies allocated additional 27 countries for description and overview of business and 19 pages for financial reports.

An annual report shouldn't necessarily be large, but, of course, the required information must be disclosed. The developer of the report must be ready that in the process of the report preparation there could be a real mess, and the same issues will be considered in different parts of the documents, but from the point of view of different departments of the company; and less important issues will be simply taken from the previous report. The main problem lies not in the number of pages of reports but the risk of readers' not receiving important and high-quality information.

At the second stage of this research, the authors determine sphere with expected gaps in the contents of reports; reports on risk management and operational issues are especially complex. There is a poor connection between the volume of information provided by the company in these spheres and the total number of reports that is prepared.

This approach, as well as the dynamics of contents of consolidated reporting for recent years, are shown in Figure 1.

As shown in Figure 2, the difference in volumes is only 22 pages, which implies that the average annual growth rate of the volume of consolidated reporting is 3%. One of the most significant changes in the volume of reports is observed in the part of the description and business overview. Large companies often allocate more pages for this part of reports. On the one hand, this method leads to an increase in the number of reports, but, on the other hand, this is a step to the provision of a balance of their contents, which allows forming a fuller and more precise (qualitative) picture for the long-term.

In the context of the growth of attention to the system of corporate management, company managers in certain countries have to disclose large volumes of additional information.

It is also possible to conclude that the increase of the number of reports in consolidated reporting, which are connected to the disclosure of additional information, required as per the IFRS, was compensated by the exclusion of insignificant data from the report.

Thus, based on the provided data, it is possible to conclude that the presence of the "quality" part in consolidated reporting is directly connected to the volumes of provided reports. This is because the role of quality of the provided information is rather large, especially for the company itself and for the interested users. However, the presence of "excessive" information in consolidated reporting rather complicates the receipt of required data for decision-making.

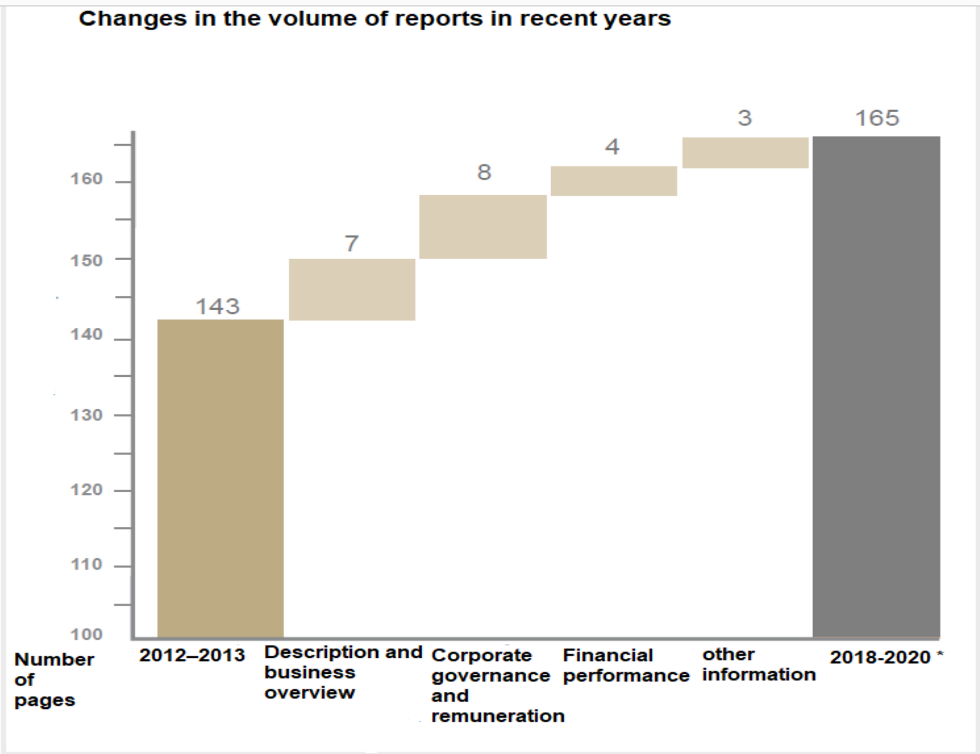

Figure 2. Change of the volume of consolidated reporting for the recent years.
Source: compiled by the authors based on KPMG (2021)

The presence of data on quality in the provided consolidated reporting depends on the method of its formation and presentation (mandatory reporting or voluntary initiative). However, this issue requires further elaboration.

4.2. A comparative analysis of the approaches to the provision of quality in the system of consolidated reporting: mandatory reporting or voluntary initiative

The results of a comparative analysis of approaches to the provision of data on quality in consolidated reporting are presented by the example of the formation of companies' reports in Japan.

Though Japanese companies have to provide documents on securities, containing information on the financial and corporate management, there are no requirements for the preparation of so-called annual reports.

In practice, a lot of Japanese companies prepare consolidated reporting on a voluntary basis. It should be noted that the form of information disclosure in Japan sometimes allows parent companies space for reporting that is similar to a group, but in other countries, financial information of a parent company is allowed not so much space (Figure 3 and Figure 4).

Having the freedom of choice – regarding the inclusion of information in annual reports – large Japanese companies pay more attention to the description, though their reports are not big, as a rule. This part of the report is usually supplemented by new information. Over the studied period, the volume of reporting grew by almost 30%.

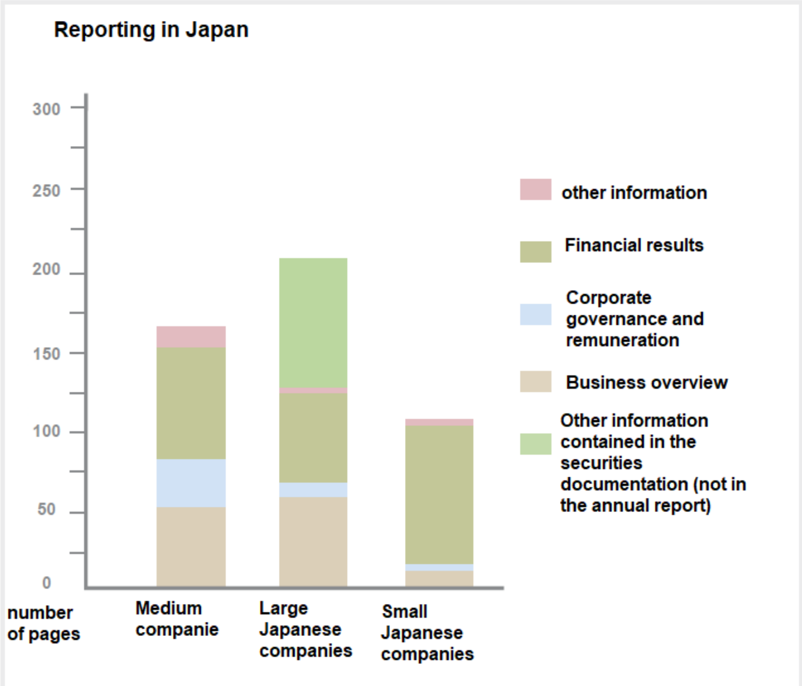

Figure 3. Specifics of formation of reporting in Japan
Source: compiled by the authors based on KPMG (2021).

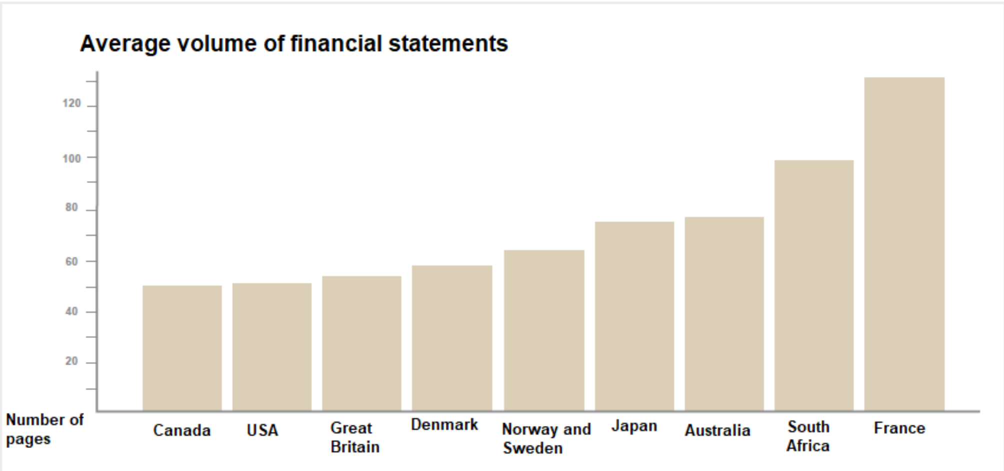

Figure 4. The average volume of financial statements in ten leading countries of the world
Source: compiled by the authors based on KPMG (2021)

Similarly to French companies, Japanese companies usually include forecast data (including forecasts of revenue and operating profit) for the next 12 months. This is not a mandatory requirement, but it is recommended by stock exchange.

Therefore, the quality of consolidated reporting is managed directly by Japanese companies.

However, according to Y. Sibasaka, an expert on the improvement of the quality of consolidated reporting in Japan, the practice of preparation of reporting in Japan is not homogeneous. Thus, when preparing annual reports, large companies orient mainly at the provision of information to a wide circle of investors, including international. Unlike them, smaller companies (with the market capitalization above $1 billion) often prepare reports for the short provision of information contained in the main documents on securities. Figure 4 shows information for several countries.

This raises the question, whether such difference would influence the volume of investments in a company, leading to their reduction in the case of smaller players.

The performed analysis has shown that the recent tendency in the USA consists in the United States Securities and Exchange Commission paying more attention to mismatches and gaps in companies' reporting, which are determined by comparing the information in the reports with information in other sources (presentation of analysts, data obtained as a result of teleconferences with analysts, etc.). This tendency shows the importance of control over the contents of reports and the process of preparation and completion of a company's corporate reporting.

Financial reporting remains the key element of annual reports. It contains objective and comparative information which allows understanding the results of the activities and profitability of a company and could be used as the basis for assessing the quality of corporate management. Even though a financial report cannot provide a full picture of the perspectives of the company's development, it continues to hold the central role in investors' evaluating the company.

There was a time when compilers of reports were worried because of the growing number of information disclosure cases and the fact that companies had to conform to a range of mandatory requirements to information disclosure. They deem it necessary to "lessen the burden" on financial consolidated reporting, focusing on information that is important for the company and that would allow users to understand its business, because of its unique details. This is supported by a lot of users. Organizations that develop standards (IASB and FASB), work on the inclusion of these issues in their standards of information disclosure for improving the provision of data in consolidated reporting.

5. Discussion

The above research results show that countries have significant differences in the compilation of financial reports according to the IFRS. According to the authors, the reasons for this are as follows.

First of all, local rules. Regulators and legislators established a form of data provision in financial reports and the list of additional information that has to be disclosed. The regulator's position might – inadvertently – make a company disclose all information, including insignificant information, to avoid potential claims from the regulator.

Second, the heritage of GAAP. Despite the transition to the IFRS, a lot of companies may still submit certain articles of financial reports based on local GAAP. For example, this might be seen from the items or the level of detalization of the report.

Third, a requirement or desire for the information in financial reports to be more ordered. In certain countries, especially in the UK, regulators usually stimulate the clarity of information in financial reports, excluding the "non-corresponding" data. This should help to compensate for the additional requirements to information disclosure of the local GAAP.

Besides, though most countries include the financial information of a parent company in their financial reports, this practice is not widespread. This part is not big, as a rule, but there are certain national differences – e.g., in

France, at least 20 pages are devoted to the financial information of a parent company.

Thus, as a result of the performed research, it has been determined that despite the objective differences between the voluntary and mandatory reflection of information on quality in consolidated reporting, the essence of the presence of such data is the same.

However, the capabilities and desire to provide such information and its value for companies are different. That's why it is necessary – in each separate case – to take into account the capabilities and priorities of the company in the aspect of voluntary reflection of the indicators of quality and compilation of consolidated reporting based on the IFRS. In certain cases, the voluntary approach to the reflection of the additional information in consolidated reporting might not be justified or even undesirable, though in most cases, from the point of view of the modern requirements of the IFRS, it is preferable.

6. Conclusion

Thus, the offered hypothesis has been proved. There is a real necessity to reflect quality in consolidated reporting, but, at the modern stage of using the IFRS in different countries, the expedience of provision of such information is determined by companies independently. It has been determined that the desire to reflect quality in consolidated reporting is directly connected to the norms and volumes of the reporting. In the current conditions, it is difficult for the company's management to independently determine the expedience of reflecting certain "secondary" indicators – therefore, most companies prefer to reflect financial information and limited additional information.

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